Saskatchewan

Rate Review Panel

Report to the Minister of Crown Investments Corporation on:

The Proposal from SaskPower for Changes in Electrical Rates

March 23, 2001

Saskatchewan

Rate Review Panel

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March 23, 2001

Honourable Maynard Sonntag
Minister of Crown Investments Corporation
Room 38, Legislative Building
Regina, Saskatchewan S4S 0B3

Dear Minister:

As instructed in the Minister's Order dated December 15, 2000, we have completed our review of the SaskPower proposal for changes in electrical rates. The Saskatchewan Rate Review Panel attaches for your consideration, our Report with respect to the proposed rate changes.

In conducting our review, we received advice from a variety of interested parties and the general public through meetings and submissions received through the mail, by facsimile, by telephone and through electronic mail systems. We also engaged the services of a consultant to provide expert analysis and advice.

We received the co-operation of SaskPower officials in providing clarification, explanation and additional information.

We are satisfied that our recommendations with respect to the rate proposals are fair and reasonable considering the interests of the customer, the Crown corporation and the public.

We thank you for this opportunity to provide you our recommendations and the outcome of our deliberations.

Yours truly,

Bob Lacoursiere

Bob Lacoursiere, CA, CMC, RFP, Chair

Attachment (2)

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Introduction

The Saskatchewan Rate Review Panel (the "Panel") has been asked by the Government of Saskatchewan to review Crown corporations' requests for monopoly rate changes.

The Panel consists of Bob Lacoursiere (Chair), Tracey Bakkeli, Jack Boan (Vice Chair), Jo-Ann Carignan-Vallee, Sheldon Craig and Joan Meyer. Each member of the Panel has been appointed until July 25, 2002.

MANDATE

In its general mandate, the Panel is instructed to conduct reviews and provide opinions on the fairness and reasonableness of proposed Crown corporation rate changes referred by the Minister of Crown Investments Corporation, considering the interests of the customer, the corporation and the public.

In conducting its reviews, the Panel is required to:

- receive a rate change submission from a Crown corporation;
- establish procedures for conducting the review and ensure that these procedures are made available to the public;
- engage the services of a consultant(s) to assist the Panel in its review of the fairness and reasonableness of the proposed rate change;
- make available to the public, prior to holding public meetings, the Crown corporation rate change submission, with the exception of commercially sensitive information;
- hold public meetings and provide appropriate notification to the public of the date and location of public meetings, including any rules for public participation and Crown corporation participation;
- provide members of the public with the opportunity to review and comment on the proposed rate changes to the extent reasonably allowed by the mandate of the Panel and by the schedule according to which the Panel is required to complete its work and provide its report to the Minister of Crown Investments Corporation;
- receive presentations of the consultant(s) or the Crown corporation, review any written submissions and receive comments from the public;
- prepare a report on the Crown corporation rate change submission for the Minister of Crown Investments Corporation after considering the material received from the Crown corporation, the consultant(s), the public and its own analysis:
    - where the Panel determines the rate changes as proposed are fair and reasonable, recommend that the changes be implemented; or,
    - where the Panel determines the rate changes are not fair and reasonable as proposed, recommend that the rate changes be adjusted providing reasons for this conclusion;

- provide its report respecting the proposed rate changes to the Minister of Crown Investments Corporation on a date set out in or within any time period after having received the rate change submission that is contained in the specific terms of reference for particular Crown corporation rate reviews; and,
- make its report available to the public.

TERMS OF REFERENCE

On December 15, 2000, the Panel was instructed to conduct a review of the SaskPower proposal for changes in electrical rates.

With respect to the proposal, the Panel was instructed to consider the fairness and reasonableness of the proposed changes considering:

- SaskPower's anticipated cost for fuel (natural gas and coal);
- SaskPower's anticipated hydro facilities availability;
- SaskPower's load forecasts;
- SaskPower's planned maintenance programme;
- SaskPower's operating, administrative and maintenance expenses;
- SaskPower's depreciation and finance expenses;
- SaskPower's Corporate Capital Tax; and,
- the revenue requirement resulting from the delivery cost of service.

In reviewing the proposal, the Panel was instructed to take as given:

- the current rate structure (i.e. components and classifications);
- the budgeted capital allocation, annual rate of return on equity target, the rate base, and established corporate policies;
- the non-capital spending levels as defined above;
- the existing service level;
- long term power supply contracts issued under subsection 8(6) of *The Power Corporation Act*; and,
- the cost of service methodology, which allocates SaskPower's costs between the various rate classes.

The Panel was instructed to present its report to the Minister of Crown Investments Corporation by March 23, 2001 (see Appendix A).

Proposal by SaskPower - Electrical Rates

SaskPower proposed a **rate increase** that would generate an overall 3.25 per cent ($31.2 million) revenue increase on electrical sales within Saskatchewan. The increase proposed represents an increase of 4.33 per cent for those customers not under long-term contracts.

The rate increase request proposes to be the first year of a potential four-year **rate rebalancing** program as well as **rate redesign elements** within the components of rates themselves.

RESIDENTIAL RATES

SaskPower proposed to increase the residential rates by increasing the basic monthly charge in cities, towns, villages and urban resorts by $0.76 per month from the current rate of $11.87 to $12.63 per month. At the same time, SaskPower proposed to increase the basic rate for rural residences, rural resorts and those receiving electricity generated from diesel generators by $1.66 per month from $13.86 to $15.52 per month.

SaskPower also proposed to increase the charge for residential electrical consumption from 7.01 cents to 7.35 cents per kilowatt hour.

FARM

SaskPower proposed to increase the basic monthly charge for farm customers by $1.67 per month from the current rate of $20.94 to $22.61 per month, increase the charge on the first block of electrical power consumed from 6.47 cents to 6.81 cents per kilowatt hour and raise the initial block size from 10,000 to 12,000 kilowatt hours per month. SaskPower also proposed to increase the rates charged for additional consumption from 4.76 cents to 4.92 cents per kilowatt hour for those paying the energy balance rate and from $3.57 to $4.48 per kilovolt ampere for farmers requiring more than 50 kilovolt ampere service.

FARM IRRIGATION

Current farm irrigation rates include a basic seasonal charge ranging from $68.03 to $126.07 per season. SaskPower proposed to increase those basic rates to range from $123.15 to $210.04 per season. In addition, the SaskPower proposal included an increase in the variable rate for farm irrigation from the current range of 3.33 cents to 4.76 cents per kilowatt hour to a new range between 3.46 cents and 4.88 cents per kilowatt hour.

SMALL COMMERCIAL CUSTOMERS

SaskPower proposed to increase the basic charge for small commercial customers by $8.91 per month from $13.93 to $22.84 per month for small urban commercial customers and by $13 per month from $17.19 to $30.19 per month for small rural commercial customers.

While the charge for the basic block for small commercial customers would drop from 7.82 cents

to 7.40 cents per kilowatt hour, the size of the basic block would increase from 10,000 kilowatt hours to 12,500 kilowatt hours per month.

SaskPower also proposed to increase the energy balance rate for consumption beyond the basic block from the current rate of 3.34 cents per kilowatt hour to 3.80 cents per kilowatt hour for small rural commercial customers and to 3.92 cents per kilowatt hour for small urban commercial customers.

GENERAL SERVICE

General Service (or large commercial) customers would face an increase in both the basic and variable rates charged in the SaskPower proposal. SaskPower proposed to increase the basic rate from the current level of $19.40 per month for urban customers or $22.60 per month for rural customers to new levels varying between $23.62 and $45.20 per month.

The charge for the first block of energy would be reduced from the current rate of 8.52 cents to a range between 5.71 and 7.19 cents per kilowatt hour, although the size of the initial block would be increased between 40 per cent and 75 per cent for large commercial customers.

Additional energy charges for large commercial customers would increase under the SaskPower proposal from the current rate of 3.27 cents to a range between 3.36 and 4.48 cents per kilowatt hour.

For Large Public Facilities, SaskPower proposed to increase the basic charge from the current range of $19.20 to $45.20 per month to a higher range from $23.62 to $45.20 per month. SaskPower also proposed to increase the size of the basic block of power consumption for this class and lower the rate for the first block but increase the variable charge on subsequent electrical consumption.

Small General Service customers would see similar increases under the SaskPower proposal with the basic charges increasing from the current rate of $13.93 to $17.19 per month to a higher rate in the range of $22.84 to $30.19 per month. For this class of customer, the basic block would be increased by 25 per cent and the rate on that block would fall from 7.82 to 7.4 cents per kilowatt hour. The rate charged on additional electricity would rise from the current rate of 3.34 cents per kilowatt hour to a new range between 3.8 and 3.92 cents per kilowatt hour.

MANUFACTURING

SaskPower proposed to increase the charges for customers in the Manufacturing and Food Processing industry by implementing a basic monthly charge on small manufacturers ranging between $2,712 and $2,858 per month and by raising the basic rate on other manufacturers from the current range of $12.14 to $14.77 per month to a higher range between $ 21.77 and $45.20 per month.

As with other classes, SaskPower proposed to increase the basic block for manufacturers by 25

per cent to 75 per cent but change the electrical charges within that block from the current rate of 6.75 cents to a range between 3.94 cents and 6.88 cents per kilowatt hour. SaskPower proposed to increase the charge for additional electricity from the current range of 1.77 to 1.91 cents to a range between 2.62 cents and 3.70 cents per kilowatt hour.

POWER

Power customers are those customers having a power load in excess of 2,000 kilovolt amperes. Most of these customers are under long-term contracts with SaskPower and are not affected by the SaskPower proposal. Those who are not under contract, however, would have their rates increased by the SaskPower proposal.

A new basic charge ranging from $2,994 to $3,316 per month was proposed by SaskPower along with an increase in the energy balance, or variable, charge from the current rate of 2.642 cents to 4.16 cents per kilowatt hour.

RESELLER

SaskPower proposed to increase the charges to resellers from the current rate of 2.614 cents to a range of 2.69 to 2.74 cents per kilowatt hour. Charges for demand balances would increase from the current rate of either $8.028 or $8.686 per kilovolt ampere to a higher rate of either $9.33 or $10.10 per kilovolt ampere.

OILFIELD AND STREETLIGHTING

SaskPower proposed no increases for streetlighting and oilfield customers.

IMPACT ON CUSTOMERS

SaskPower proposed to increase the rates charged for electricity which would have the following average effect on customers in each classification:

SaskPower Proposed Rate Changes				
Class of Service	**Current Average Monthly Rate ($)**	**SaskPower Proposed Average Monthly Rate ($)**	**Average Increase ($/month)**	**Average Increase (%)**
Urban Residential	$55	$58	$3	5.2%
Rural Residential	$84	$89	$5	6.0%
Total Residential	**$59**	**$62**	**$3**	**5.1%**
Farms	$126	$134	$8	6.0%
Farm Irrigation	$105	$115	$10	10.0%
Industrial Irrigation	$14,094	$14,658	$564	4.0%
Small Commercial - Urban	$190	$196	$6	3.2%
Small Commercial - Rural	$168	$178	$10	6.0%
Total Small Commercial	**$186**	**$193**	**$7**	**3.8%**
General Service - Urban	$1,453	$1,453	$0	0.0%
General Service - Rural	$641	$667	$26	4.0%
Total General Service	**$1,119**	**$1,130**	**$11**	**1.0%**
Small Manufacturing	$1,651	$1,816	$165	10.0%
Large Manufacturing	$82,120	$90,332	$8,212	10.0%
Power (Non-contract)	$96,861	$106,547	$9,686	10.0%
Power (Contract*)	$288,383	$288,383	$0	0.0%
Oilfields	$799	$799	$0	0.0%
Streetlights	$783	$783	$0	0.0%
Reseller	$2,131,337	$2,301,844	$170,507	8.0%
Total (System)	**N/A**	**N/A**	**N/A**	**3.25%**
Total System (Excluding Contract* Power)	**N/A**	**N/A**	**N/A**	**4.33%**

* Contract sales are excluded from this review and rates are established through negotiation.

These average impacts will affect customers differently depending on their individual level of electrical consumption. The range of impacts of the SaskPower proposal is illustrated as follows:

Customer Class	**Accounts**	**Range of Rate Increases**
Urban Residential – City	127,720	4.96% to 6.02%
Urban Residential –Town, Village, Urban Resort	87,105	4.95% to 6.06%
Rural Residential	36,300	4.99% to 10.60%
Urban General Service – Large (Over 75kVA)	2,872	-16.29% to 3.08%
Rural General Service – Large (Over 75kVA)	4,855	-5.27% to 7.64%
Urban – Customer Transformation (Over 75kVA)	68	-0.24% to 2.65%
Rural – Customer Transformation (Over 75kVA)	16	4.19% to 5.53%
Farm	64,067	5.74% to 8.94%
General Service Urban-Manufacturing	664	0.54% to 17.36%
General Service Rural–Manufacturing	246	4.62% to 17.74%
Urban General Service – Small Commercial	27,002	-2.77% to 9.66%
Rural General Service – Small Commercial	7,439	-0.71% to 18.93%
Urban General Service – Small Public Facility	1,333	1.00% to 11.98%
Rural General Service – Small Public Facility	243	1.98% to 18.56%
General Service – Urban Large Public Facility	487	-10.96% to 1.51%
General Service – Rural Large Public Facility	47	-6.47% to 8.24%
General Service Urban - Customer Transformation	15	-0.31% to 2.00%
Total/ Overall Average	**360,464**	**3.25%***

* the average impact is **4.33 per cent** on the customer base which is not under long-term supply contract.

EFFECTIVE DATE

The SaskPower proposal is for these increases to come into effect on January 1, 2001.

The Review Process

PUBLIC CONSULTATIONS

In reviewing the SaskPower proposal, the Panel received comments and suggestions from individuals and groups throughout Saskatchewan through a public consultation process that included:

- seventeen public meetings;
- establishment of a toll-free telephone message line;
- receipt of submissions by mail;
- receipt of messages by facsimile; and,
- receipt of electronic message correspondence.

These methods of public discussion were advertised in daily newspapers and in weekly newspapers. In addition, radio clips were played on local radio stations.

Panel members were also involved in numerous media interviews and public appearances.

Copies of the SaskPower rate proposal were available to the public at SaskPower offices, at the public meetings and on the Internet.

Public meetings were held on:

- January 24 in Saskatoon;
- February 1 in North Battleford and Swift Current;
- February 15 in Prince Albert and Yorkton;
- March 6 in Estevan; and,
- March 7 in Regina.

In addition, on February 5, a satellite teleconference was held, including participation from public meetings in:

- Nipawin,
- Melfort,
- Humboldt,
- La Ronge,
- Davidson,
- Hudson Bay,
- Wynyard,
- Assiniboia,
- Kindersley, and
- Moose Jaw.

The public meetings, held to discuss the SaskPower proposal, represent the most extensive public discussion on a rate review ever undertaken by the Saskatchewan Rate Review Panel. The meetings included:

- an introduction by the moderator with an explanation of the proceedings and the Panel's mandate for the review;
- an overview by SaskPower of its request;
- an opportunity for submissions by individuals or organizations that had indicated an interest in addressing the Panel; and,
- an opportunity for questions or comments from the floor.

SUBMISSIONS

The Panel also received submissions from:

- the City of Saskatoon,
- the City of Swift Current,
- the City of Regina,
- the Saskatchewan Urban Municipalities Association,
- the Canadian Taxpayers Federation,
- the Saskatoon and District Chamber of Commerce
- the North Saskatoon Business Association,
- the Canadian Association of Petroleum Producers,
- CanAmera Foods,
- the Foam Lake Recreation Association,
- COGEMA Resources Inc. and Cameco Corporation,
- the Saskatchewan Greenhouse Growers Association,
- Weyerhauser Saskatchewan Limited,
- the Creelman Community Complex,
- the International Brotherhood of Electrical Workers, Local 2097,and
- the Saskatchewan Recreation Facilities Association.

CONSULTANT

In conducting its review, the Panel engaged the services of a consultant to examine and advise on the reasonableness and fairness of the SaskPower proposal.

Energy Consultants International Inc. was contracted to provide consulting services to the Panel. Staff assigned to the review have extensive experience in utilities regulation and have served as consultants to a variety of regulatory and industry bodies in Canada and internationally.

The Panel met with the consultant and subsequently sought additional information from SaskPower on the rate proposal.

The consultant also provided briefings to the Panel on specific issues and prepared a final report

and assessment of the SaskPower submissions **(attached as Appendix B)**.

PRESENTATIONS

As required in its mandate, the Panel received presentations from officials of SaskPower and from its consultant at several points throughout the review process to:

- develop an understanding of the proposed rate changes;
- understand the analyses prepared for the Panel; and,
- develop its recommendations.

Panel Conclusions and Recommendations

OVERALL INCREASE

SaskPower proposed an average increase equivalent to 3.25 per cent of its revenue from sales of electricity in Saskatchewan (4.33 per cent of revenue from customers who are not under long-term contracts) with no increases for some customer classes and increases as high as 10.0 per cent for other customer classes.

The Panel notes there has not been an increase in electrical rates since 1996 and SaskPower is facing increasing costs of electrical generation due, in particular, to the rising cost of natural gas used to generate electricity.

Nevertheless, the Panel notes SaskPower has managed to achieve its financial targets in the past, even in the face of rising fuel costs, through efficiencies elsewhere in the system and from increased revenue from outside sources.

The Panel notes its consultant advised there may be opportunities within the corporation to constrain or reduce operating and maintenance costs to achieve savings relative to the operating costs projected by SaskPower.

The Panel recommends SaskPower's rate increase be limited to no more than a 2.0 per cent increase averaged across its revenue base beginning on the effective date (see below).

RATE REBALANCING

The Revenue-to-Revenue-Requirement Ratio and the Revenue-to-Cost Ratio are used interchangeably in the industry as indicators of the ratio of the revenue generated from a customer or a class of customers to the revenue required from that customer or class of customer. The revenue requirement includes provision for:

- fuel and purchased power costs;
- operating, maintenance and administration costs;
- depreciation, depletion and amortization costs;
- royalties, water rentals and taxes;
- finance charges; and,
- a target return on investment.

In the case of SaskPower, the costs of generating electricity for export sales is also included in calculating the revenue requirement for sales within Saskatchewan.

SaskPower identified a number of customer classes for which the Revenue-to-Revenue-Requirement Ratio was greater than 1.0 in 2000, including:

- Small Urban Commercial,
- General Service - Urban,
- General Service – Rural,
- Power (customers not covered by long-term contracts),
- Oilfield, and,
- Streetlights.

The SaskPower rate proposal included **average** increases of 3.2 per cent for Small Urban Commercial, 4.0 per cent for General Service – Rural customers and 10.0 per cent for those Power customers who are not under long-term supply contracts. There were no increases proposed by SaskPower for the other classes listed above.

The Panel noted, by and large, SaskPower was not proposing to increase the rates charged to customers for which the Revenue-to-Revenue-Requirement Ratio is greater than 1.0, with the exception only of Rural General Service, Small Urban Commercial and non-contract Power customers. These exceptions are unjustified in the Panel's view.

The Panel recommends there be no increase in electrical rates for any customer classes for which the Revenue-to-Revenue-Requirement Ratio exceeded 1.0 in 2000, except if this rate freeze would reduce the rates to less than the forecasted cost of supplying electricity.

LIMITS TO RATE INCREASES FOR CUSTOMER CLASSES

The SaskPower proposal included substantial increases for some specific classes of customers. Aside from the non-contract Power customers discussed above, other examples and their proposed average rate increases include:

- Farm Irrigation – 10.0 per cent;
- Small Manufacturing – 10.0 per cent;
- Large Manufacturing – 10.0 per cent; and,
- Resellers – 8.0 per cent.

The Panel examined these proposals and is of the view that large increase in rates could be very destabilizing to customers.

The Panel recommends the average increase for any customer class should be limited to a maximum of 6.0 per cent, beginning on the effective date (see below).

LIMITS TO RATE REBALANCING

The SaskPower proposal would have raised electrical rates for one class of customer (the Resellers discussed above) such that their Revenue-to-Revenue-Requirement Ratio would have been 1.02 after the rate increase, when their Revenue-to-Revenue-Requirement Ratio was 0.97 before the rate increase.

In this case, the Revenue-to-Revenue-Requirement Ratio for this class of customer would have exceeded 1.0 after the rate increase when it was less than 1.0 before the rate increase.

The Panel notes that, assuming their recommended maximum increase of 6.0 per cent for any class of customer (discussed above) is accepted, the Resellers rate would not increase enough to raise their Revenue-to-Revenue-Requirement Ratio above 1.0.

The Panel recommends, as a general principle, there should be no increases in rates that would result the Revenue-to-Revenue-Requirement Ratio for any class of customer changing from less than 1.0 to more than 1.0.

LIMITS TO RATE INCREASES FOR INDIVIDUAL CUSTOMERS

The SaskPower proposal included changes to both the basic charges for service and the variable charges for electrical consumption. These proposed changes would have raised rates, for those classes with proposed increases, between 3.2 per cent and 10.0 per cent on average across the class.

Within classes, however, there is substantial variance in the impact on individual customers of the SaskPower proposed rate change. For example, SaskPower proposes an increase in the rates charged for Rural Residential customers that would average 6.0 per cent across the customer class but the increases would range from 4.99 per cent for some customers to 10.60 per cent for others.

While the highest increase proposed by SaskPower on a customer class basis would have been 10.0 per cent, some individual customers within those classes would experience increases in their electrical charges as high as 18.93 per cent. The Panel feels that increases greater than 10 per cent may be destabilizing.

The Panel recommends, <u>within</u> the restrictions recommended above, increases should be further restricted such that no customer should have a rate increase in excess of 10.0 per cent, beginning on the effective date (see below).

EFFECTIVE DATE

SaskPower proposed to implement the new rate structure on January 1, 2001. To meet this implementation now would require a retroactive application of the new rates to electricity consumed and services provided in the past.

The Panel is of the view that charges should not be increased on past services.

The Panel recommends increases in SaskPower electrical rates should be effective only on services provided beginning April 1, 2001.

Summary of Recommendations

RESTRICTIONS ON INCREASES

The Panel recommends that the increase in electrical rates be limited to 2.0 per cent across the SaskPower revenue base, on a full year basis, subject to several conditions:

- there should be no increases for customer classes for which the Revenue-to-Revenue-Requirement Ratio is already greater than 1.0;
- increases should not exceed 6.0 per cent on average for any customer class;
- increases should not exceed 10.0 per cent for any customer account;
- increases should not result in the Revenue-to-Revenue-Requirement Ratio exceeding 1.0 for any customer class which currently has a Revenue-to-Revenue-Requirement Ratio of less than 1.0.

EFFECTIVE DATE

The Panel recommends that electrical rate increases be effective April 1, 2001.

IMPACT ON CUSTOMERS

The Panel's recommendation that the overall increase in electrical rates be limited to 2.0 per cent of the total revenue base for SaskPower sales of electricity within Saskatchewan (on a full year basis) will save Saskatchewan customers about $12.0 million in 2001, relative to the increase requested by SaskPower.

The Panel's recommendation that the new rates not come into effect until April 1, 2001 will save customers another $5.2 million, relative to the original proposal from SaskPower for rates to increase January 1, 2001.

These two recommendations mean, on average, SaskPower customers' electrical rates will increase by 1.45 per cent (or about $14.0 million) in 2001 over the rates charged in 2000.

There will be some variation in the impact on customer classes. Some classes will see no increase in their rates while other classes will have increases of no more than 6.0 per cent.

The range of impact will be restricted such that no customer account receives an increase of more than 10.0 per cent in the rate charged for electricity.

IMPACT ON SASKPOWER

The Panel's recommendations would reduce the revenue from Saskatchewan customers to SaskPower by about $17.2 million in 2001, relative to the increases proposed by SaskPower.

Even with these restrictions, SaskPower's 2001 revenue from Saskatchewan sales will increase by about $14.0 million relative to the existing rate structure and by $22 million (or 2.3 per cent) from 2000.

This may reduce SaskPower's net earning's below the targeted level of $110 million for 2001, but the corporation may be able to find internal efficiencies or other sources of revenue to assist it in achieving its target.

IMPACT ON THE PUBLIC

The rate changes recommended by the Panel recognize the forecasted delivery costs of SaskPower, including the rising costs of fuel for generating electricity. The recommended rates also encourage continued efficiency in the operations of SaskPower and encourage consumers to recognize the costs of providing electrical service in Saskatchewan.

It is the Panel's view, therefore, that the rate changes recommended by the Panel are fair and reasonable, considering the interests of the customer, the Crown corporation and the public.

Appendix A: Minister's Orders
SaskPower Electrical Rate Change

APPENDIX A

Schedule D:
SaskPower Electrical Rate Change Terms of Reference

Terms of Reference

The Saskatchewan Rate Review Panel is requested to conduct a review of SaskPower's request for an increase in its rates effective January 1, 2001.

The Panel shall provide an opinion of the fairness and reasonableness of SaskPower's proposed rate changes, considering the interests of the customer, the Crown Corporation and the public.

In conducting its review, the Panel will consider the following factors:

A) The reasonableness of the proposed changes to the rates in the context of SaskPower's forecasted delivery cost of service, comprised of:
   - ii) SaskPower's anticipated costs for fuel (natural gas and coal);
   - iii) SaskPower's anticipated hydro facilities availability;
   - iv) SaskPower's load forecasts;
   - v) SaskPower's planned maintenance programme;
   - vi) SaskPower's operating, administrative and maintenance expenses;
   - vii) SaskPower's depreciation and finance expenses; and,
   - viii) SaskPower's Corporate Capital Tax.

B) The revenue requirement resulting from the delivery cost of service.

C) The Panel shall consider the following as given:
   - i) the current rate structure (i.e. components and classifications);
   - ii) the budgeted capital allocation, annual rate of return on equity target, the rate base, and established corporate policies;
   - iii) the non-capital spending levels as defined in (A) above;
   - iv) the existing service levels;
   - v) long term power supply contracts issued under subsection 8(6) of The Power Corporation Act; and,
   - vi) the cost of service methodology which allocates SaskPower's costs between the various rate classes.

The Panel will not publicly release or require SaskPower to publicly release commercially sensitive material including, but not limited to, its fuel purchasing strategies (including hedging activities) and contracts with specific customers.

The Panel will release, as part of its final report, the results of the review of SaskPower's rate request as conducted by an independent third party.

Conduct of the Review

The Panel will present its report to the Minister of Crown Investments Corporation no later than March 23, 2001.

MINISTER'S ORDER

Saskatchewan Rate Review Panel
SaskPower Electrical Rate Change

WHEREAS by a Minister's Order dated July 27, 2000, issued pursuant to section 16 of *The Government Organization Act*, the Minister of Crown Investments Corporation appointed a ministerial advisory committee known as the Saskatchewan Rate Review Panel.

WHEREAS that Minister's Order provides for specific terms of reference for particular Crown corporation rate change reviews to be attached by further minister's order.

WHEREAS it is desirable to establish terms of reference for a SaskPower electrical rate change review and to attach the terms of reference to the previously mentioned Minister's Order.

NOW THEREFORE I hereby amend the said Minister's Order by attaching Appendix A affixed hereto as **"Schedule D: SaskPower Electrical Rate Change Terms of Reference"** to the said Minister's Order.

Dated at the City of Regina, Saskatchewan, this 15th day of December, 2000.

John J. Nilson

Minister of Crown Investments Corporation

Appendix B:
Energy Consultants International Report to the Saskatchewan Rate Review Panel

SaskPower Corporation
Rate Proposal – December 2000

Independent Review of an Application for Approval of January 1, 2001 Rates

Prepared for:

Saskatchewan Rate Review Panel

Bob Lacoursiere	Chair
Jack Boan	Vice Chair
Tracey Bakkeli	Member
Jo-Ann Carignan-Vallee	Member
Sheldon Craig	Member
Joan Meyer	Member

Prepared by:

Energy Consultants International Inc.

March 5, 2001

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Executive Summary

On July 27, 2000 the Saskatchewan Rate Review Panel ('the Panel") was established by Ministerial Order to conduct a review and provide an opinion of the fairness and reasonableness of proposed Crown Corporation rate changes. On December 15, 2000 the Panel was instructed by Ministerial Order to conduct such a review of a proposal submitted by the Saskatchewan Power Corporation ("SaskPower") for a change in Saskatchewan electricity rates. The proposal requested that the rate change become effective on January 1, 2001.

The Ministerial Order outlined the terms of reference which stipulated that factors subject to review were to include:

- anticipated costs for fuel (natural gas and coal)
- anticipated hydro facilities availability
- load forecasts
- planned maintenance program
- operating, administrative and maintenance expenses
- depreciation and financial expenses
- Corporate Capital Tax

The factors to be considered as being given during the review were:

- current rate components and classifications
- budgeted capital allocation, annual rate of return on equity target, the rate base, and established corporate policies
- non-capital spending levels as defined in the factors to be considered
- long term power supply contracts issued under subsection 8(6) of The Power Corporation Act
- Cost of service methodology, which allocates costs between various rate classes.

As mandated, the Panel called for proposals for a consultant to conduct an independent review of the SaskPower application, on December 19, 2000. Energy Consultants International Inc.

("ECI") responded to the request on January 10, 2001, and was subsequently awarded the assignment on January 15, 2001.

Subsequent to an initial review of information provided to ECI by the Crown Investments Corporation of Saskatchewan ("CIC"), preliminary information requests of SaskPower were prepared. A meeting was convened between ECI and the Panel in Regina on January 23, 2001. SaskPower's responses to the Panels' questions were provided to ECI. The protocol for exchange of information was established that would require any information requests and subsequent responses to be forwarded through CIC, with copies being sent to the Panel. A general discussion was held which reviewed the proposed work plan and project milestone dates.

Immediately following the ECI/Panel meeting, executive and staff of SaskPower met with the Panel and ECI. SaskPower provided an overview of the application. A number of areas of the application were discussed, at a high level, and a further meeting between ECI and SaskPower was arranged.

As submitted by SaskPower, there are two distinct elements to the application for a change in January 1, 2001 rates. The first is a rate increase that is supported by an increase in on-going annual expenses, primarily for fuel costs, operating, maintenance and administrative ("OMA") costs, depreciation, finance charges and return on equity. Secondly, there are proposed changes in customer's rates because of an inter-class rate rebalancing that are revenue neutral on an overall corporate basis.

ECI reviewed and analyzed the following detailed areas during the assignment.

- Anticipated Fuel Costs
- Anticipated Hydro Facilities Availability
- Load Forecasts
- Future Generation Requirements
- Determination of Peak Load Requirements
- Review of SaskPower's Overall Supply and Generation Operations
- Operating Cost Elements

Verification of SaskPower's Customer Impact Calculations

Verification of Conformance with Corporate Capital Tax Requirements

Based on a review of all documentation, including responses to Panel and ECI Information Requests, and clarification by SaskPower on a number of issues, ECI presents the following discussions and recommendations.

1. That the 2000 load forecasting methodology used by SaskPower is satisfactory, as is the validation and forecasting accuracy methodology.

2. That cost increases requested in the application of December 15, 2000 for fuel and import power, the primary drivers underpinning the application, are reasonable. It is our view that SaskPower has taken reasonable actions to mitigate natural gas costs, given the current unprecedented price levels and volatility of the markets. Coal Royalties and Water Rights are largely beyond the control of SaskPower.

3. That the forecasted Finance Charges, Depreciation Expense and Corporate Capital Tax are appropriate.

4. That SaskPower be requested to review and update a depreciation study. In our opinion, depreciation studies should be updated every 5 years to ensure that current technological trends are recognized and current depreciation rates are still applicable.

5. That the OMA costs are within an acceptable range. The Panel may wish to consider the necessity of adding 92 FTE positions at this time given the increase in staff level which SaskPower indicates was at 2,576 in 1994.

6. That the Panel encourage SaskPower to obtain greater efficiencies in operations and maintenance and to utilize the Balanced Score Card to measure efficiency gains.

7. On an overall basis, the increase in revenue requirement of 3.25% is reasonable.

8. That the Panel consider netting back a greater portion of costs from export power sales rather than allocating and recovering such incremental costs solely from Saskatchewan ratepayers.

9. That the cost allocation methodology is appropriate and has been reasonably applied in a consistent manner across customer classes.

10. That while there have been changes in the rate structure in the relative demand and energy components, the matter of rate structure and design is currently beyond the scope of review. The issues related to rate structure and rate design should be included for future reviews, as requested in several presentations made to the Panel.

11. That SaskPower provide details of Demand Side Management Programs in the next application, including the impacts of a new rate structure on these programs.

12. That, in respect of rate rebalancing, the Panel require SaskPower to work toward designing rates such that the R/C ratios are 1.00 for each customer class, and that any change from such ratios be fully justified.

13. That existing R/C ratios above 1.00 do not decrease to below 1.00, and those below 1.00 do not increase above 1.00, for purposes of revenue generation and the design of a rate structure.

14. That once a revenue requirement has been accepted, any rate rebalancing should be revenue neutral and SaskPower should not be required to forego any portion of the approved revenue.

15. That, as a basic principle, the Panel not accept retroactive rates.

16. That the Panel approve a rate change implementation date of April 1, 2001, and that those rates remain in effect until a subsequent application is filed.

17. That the Panel require future applications be filed at least 60 days in advance of the date requested for rate changes.

With respect to future SaskPower applications, ECI recommends that the Panel consider the following as minimum filing requirements ("MFR"):

1. Applications be filed at least 60 days prior to the date requested for rate changes.

2. All data be provided on a comparative basis for the prior five year period.

3. Depreciation studies be updated and filed every 5 years.

4. Changes to Cost Allocation Methodology be filed and reviewed at the next Application.

5. Rate Structure and Rate Design be filed and reviewed at the next Application.

6. SaskPower file a plan designed for rate stability with respect to natural gas prices which would include consideration of a Purchased Gas Variance Account.

7. A discussion on management as well as unionized employees, including wages and benefits and variance explanations be filed with every application for the prior five year period.

8. Current Load Forecasts, variances, and financial implications of the high and low scenarios be filed with each application.

9. That only information truly proprietary and commercially sensitive be treated as being confidential, and all other data be a matter of public record.

10. That details of all costs and revenues including the method of cost and/or revenue sharing and financing of capital programs be provided for all subsidiaries of SaskPower, so as to eliminate the potential of cross-subsidization of subsidiaries by domestic ratepayers.

11. Discussion on working capital allowances, and determination of methodology such as a lead-lag study, be conducted and filed.

12. That an organization chart be filed with each application.

13. Provide details of estimates underpinning water flows, power imports and export sales and the method of determining royalties and water rights.

14. SaskPower be required to respond to all formal presentations received by the Panel during the course of a rate review.

Saskatchewan Power Corporation – January 1, 2001 Rate Review

1.0 Background

On July 27, 2000 the Saskatchewan Rate Review Panel ('the Panel") was established by Ministerial Order to conduct a review and provide an opinion of the fairness and reasonableness of proposed Crown Corporation rate changes. On December 15, 2000 the Panel was instructed by Ministerial Order to conduct such a review of a proposal submitted by the Saskatchewan Power Corporation ("SaskPower") for a change in Saskatchewan electricity rates. The proposal requested that the rate change become effective on January 1, 2001.

The Ministerial Order and the proposal terms of reference stipulated that the factors subject to review were to include:

- anticipated costs for fuel (natural gas and coal)
- anticipated hydro facilities availability
- load forecasts
- planned maintenance program
- operating, administrative and maintenance expenses
- depreciation and financial expenses
- Corporate Capital Tax

The factors to be considered as being given during the review were:

- current rate components and classifications
- budgeted capital allocation, annual rate of return on equity target, the rate base, and established corporate policies
- non-capital spending levels as defined in the factors to be considered
- long term power supply contracts issued under subsection 8(6) of The Power Corporation Act
- Cost of service methodology, which allocates costs between various rate classes.

As mandated, the Panel called for proposals for a consultant to conduct an independent review of the SaskPower application, on December 19, 2000. Energy Consultants International Inc.

("ECI") responded to the request on January 10, 2001, and was subsequently awarded the assignment on January 15, 2001. ECI entered into a contract for the services to be provided with the Crown Investments Corporation of Saskatchewan ("CIC"), on behalf of the Panel on January 18, 2001. The review was immediately commenced by ECI.

2.0 Study Methodology

Subsequent to an initial review of information provided to ECI by CIC, preliminary information requests of SaskPower were prepared. A meeting was convened between ECI and the Panel in Regina on January 23, 2001. SaskPower's responses to the Panels' questions were provided to ECI. The protocol for exchange of information was established that would require any information requests and subsequent responses to be forwarded through CIC, with copies being sent to the Panel. Later, CIC requested that a direct copy also be sent to SaskPower. It was also agreed that further clarification of any response, as necessary, would be sought directly from SaskPower by ECI, most likely by telephone conversation. A general discussion was held which reviewed the proposed work plan and project milestone dates.

Immediately following the ECI/Panel meeting, executive and staff of SaskPower met with the Panel and ECI. SaskPower provided an overview of the application and the matter of information exchanges was also discussed. A number of areas of the application were discussed, at a high level, and a further meeting between ECI and SaskPower was arranged for that afternoon.

At the ECI/SaskPower meeting, SaskPower provided ECI with the following documents:

- SaskPower Annual Reports – 1995 to 1999 inclusive
- SaskPower 2000 Load Forecast
- SaskPower 2001 Business Plan
- SaskPower April 1, 2000 Rate Index
- 1998 Consultant "Review of Costing Methodologies" Report
- SaskPower International Inc. 1999 Annual Report
- Power Greenhouses Inc. 1999 Financial Statements

Additionally, CIC provided ECI with a copy of The Power Corporation Act, on January 24, 2001. (see Appendix A)

ECI submitted the first round of information requests on January 26, 2001, after a review of SaskPower's responses to the Panel's questions, as well as additional questions posed by the Panel to which answers had not yet been received. After a detailed review of the documents received on January 23, further information was requested from SaskPower on January 30, 2001.

SaskPower provided responses to ECI questions, including a report titled "2000 Load Forecast Accuracy Analysis", and to the Panel's remaining questions on February 8 and 9, 2001. Subsequent to a review of the responses, ECI required clarification in a number of areas, and obtained additional information through a series of conversations with SaskPower staff. The last formal responses to requests for additional information were received by ECI on February 21, 2001. Because of time constraints, clarification of information not received by ECI by February 27 cannot be considered in this submission. ECI also received copies of presentations to the Panel from the City of Saskatoon, City of Swift Current and City of Regina. Subsequent submissions were received from the Saskatoon and District Chamber of Commerce ("the Chamber"), Saskatchewan Greenhouse Growers Association ("SGGA"), COGEMA Resources Inc. ("COGEMA"), Saskatchewan Urban Municipalities Association ("SUMA") and Weyerhaeuser Canada ("Weyerhaeuser"). ECI then identified those areas which appeared to be reasonable and required no further review at this time, as well as major areas that appeared to warrant further review and analysis, including computer modeling to test trends and sensitivities. Section 5.0 discusses the review and analyses in detail.

Following this process, a draft report was prepared and submitted to the Panel on February 22, 2001, for their review, to ensure that all areas with which they had concerns had been adequately responded to by SaskPower. On February 27, a meeting was convened with the Panel to review the draft report for this purpose. To the extent that information was received and had been adequately reviewed, the draft report included ECI recommendations respecting the fairness and reasonableness of SaskPower's rate requests. The final report, with recommendations and suggestions for future filings was submitted to the Panel on March 5, 2001. We have not commented on the results of the outstanding SaskPower information request responses that were not received by February 28, 2001. Additionally, SaskPower submitted unaudited 2000 financial information and revised 2001 test year projections. This documentation was reviewed

at a cursory level, and was determined by the Panel to be outside the scope of the original application. Therefore, our comments and observations do not address this information.

It is apparent that the short time allowed for review and analysis of the extensive information, including details which were to be considered as givens as well as the data within the scope of the our assignment, precluded a thorough and detailed examination of all relevant information. The outstanding responses that were not part of our review, made the process more difficult within the time and scope allowed. We are recommending that a 60 day run-up period from the submission of an Application to a final Panel report be adopted, in conjunction with a specified minimum filing requirement. This will allow for a complete and orderly exchange of information, independent review and analysis, and will enable milestones to be achieved, including Panel deliberations and decisions. The applicant must take into consideration the proposed implementation date that of the requested rate change in order to eliminate the prospect of rate retroactivity.

3.0 The Application

As submitted by SaskPower, there are two distinct elements to the application for a change in January 1, 2001 rates. The first is a rate increase that is supported by an increase in on-going annual expenses, primarily for fuel costs, operating, maintenance and administrative ("OMA") costs, depreciation, finance charges and return on equity. Secondly, there are proposed changes in customer's rates because of an inter-class rate rebalancing that are revenue neutral on an overall corporate basis.

In its original submission, SaskPower stated that the 2001 estimated expenses were approximately $992,500,000, (Application, Page 15) categorized into six functional areas. SaskPower provided the breakdown of the major reasons for the estimated increase in expenses from forecast 2001 of approximately $36,400,000. (Panel January 15, 2001 question) The increases in the six major expense categories are estimated by SaskPower to be:

Expense Category (x $1,000,000)	2000 Forecast	2001 Estimate	Change	% Change
Fuel and Purchased Power	$ 344.5	$ 359.1	$ 14.6	4.24%
OMA	$ 267.8	$ 273.2	$ 5.4	2.02%
Depreciation and Amortisation	$ 148.3	$ 152.9	$ 4.6	3.10%
Royalties, Water Rent,Taxes	$ 44.2	$ 49.9	$ 5.7	12.90%
Future Asset Removal	$ 12.3	$ 12.0	-$ 0.3	-2.44%
Finance Charges	$ 139.0	$ 145.4	$ 6.4	4.60%
Total	**$ 956.1**	**$ 992.5**	**$ 36.4**	**3.81%**

The estimated revenue that would be generated by the existing rates for domestic sales of electricity for 2001 is $959,105,298 (Application, Page 24). This is approximately $8,000,000 greater than the 2001 revenue would be at existing rates, and is attributable to increased usage. The rates as requested by SaskPower would generate revenues of $990,276,106, an overall increase of $31,170, 808, or an average of 3.25%.

In determining the allocation of the revenue requirements to its various customer classes, SaskPower applied its existing cost allocation methodology to the annual revenue requirement of $990,276,106. The annual revenue proposed to be generated by the new rates is less than the

annual revenue requirement, because of the netting out of costs associated with export sales. Export Sales, estimated to be approximately $97,000,000 and Ancillary Revenues from other than electric sales of approximately $17,000,000 are not impacted by the requested changes in rates.

In order to avoid rate shock, SaskPower utilized four basic principles in determining the rate structures and rate designs for its customer classes.

1. Maximum average increase for any rate class would be 10%.
2. For classes where average increases are between 5% and 10%, the effect of the demand and energy component changes to individual customers within that class should, within reason, not increase by more than two times the average class rate increase.
3. For classes where the average increase is less than 5%, the effect of the demand and energy component changes to individual customers within that class should, within reason, not increase by more than 10%.
4. The basic monthly charge could no more than double the existing charge.

The following table illustrates the class revenues, which would be generated by existing rates and at proposed rates, and indicates the increase per customer class expressed as a percentage.

Class of Service	Revenue Existing Rates	Revenue Proposed Rates	Total Change	% Change
Urban Residential	$ 177,569,021	$ 186,779,498	$ 9,210,477	5.19%
Rural Residential	$ 32,297,746	$ 34,235,611	$ 1,937,865	6.00%
Total Residential	**$ 209,866,767**	**$ 221,015,109**	**$ 11,148,342**	**5.31%**
Farms	$ 100,032,692	$ 106,034,654	$ 6,001,962	6.00%
Farm Irrigation	$ 910,730	$ 1,001,803	$ 91,073	10.00%
Industrial Irrigation	$ 676,534	$ 703,595	$ 27,061	4.00%
Small Commercial-Urban	$ 79,597,231	$ 82,119,440	$ 2,522,209	3.17%
Small Commercial-Rural	$ 15,867,444	$ 16,839,236	$ 971,792	6.12%
Total Small Commercial	**$ 95,464,675**	**$ 98,958,676**	**$ 3,494,001**	**3.66%**
General Service - Urban	$ 80,491,341	$ 80,491,341	$ -	0.00%
General Service - Rural	$ 24,743,286	$ 25,733,017	$ 989,731	4.00%
Total General Service	**$ 105,234,627**	**$ 106,224,358**	**$ 989,731**	**0.94%**
Manufacturing - Small	$ 20,973,350	$ 23,070,685	$ 2,097,335	10.00%
Manufacturing - Large	$ 7,883,507	$ 8,671,858	$ 788,351	10.00%
Power *	$ 256,268,853	$ 258,709,751	$ 2,440,898	0.95%
Oilfields	$ 96,515,136	$ 96,515,136	$ -	0.00%
Streetlights	$ 14,126,326	$ 14,126,326	$ -	0.00%
Reseller	$ 51,152,099	$ 55,244,267	$ 4,092,168	8.00%
System Total	**$ 959,105,296**	**$ 990,276,218**	**$ 31,170,922**	**3.25%**

* 27 of the 86 Power Class accounts are under long term contract – Revenue from Power customers under contract is expected to increase from $225.0M to $231.9M in 2001.

The second component of the application is rate rebalancing among the various customer classes within the Province of Saskatchewan. This component is revenue neutral, but only in the sense that if the overall average increase were assumed to apply equally to all customer classes, then the additional increases would be attributable to rate rebalancing, and the overall increase would still be 3.25%. The changes in revenue requirement, expressed as a percentage of revenues at existing rates, are shown below. For illustrative purposes only, SaskPower has shown the 3.25% increase as being applied equally to all customer classes, as the total change per rate class was the result of the allocation process.

For example, the indication is that the Streetlight Class experienced an overall rate increase of 3.25%, and then the rate rebalancing eliminated that component of the increase. In reality, the

Streetlight Class had 2001 costs allocated to that class, a revenue to cost ratio was applied to determine what revenue then should be generated and the rate was designed to recover that revenue. In terms of overall revenue, there was no increase, but the R/C ratio was decreased from 1.32 to 1.28, which represents the rate rebalancing aspect of the application.

The existing revenue to cost ratios prior to and after the rate change, as submitted by SaskPower are also shown below.

Class of Service	2001 R/C Ratio Existing	2001 R/C Ratio Proposed
Urban Residential	0.95	0.97
Rural Residential	0.86	0.88
Total Residential	**0.94**	**0.95**
Farms	0.92	0.94
Farm Irrigation	0.69	0.73
Industrial Irrigation	0.98	1.00
Small Commercial-Urban	1.04	1.03
Small Commercial-Rural	0.88	0.90
Total Small Commercial	**1.01**	**1.01**
General Service - Urban	1.08	1.04
General Service - Rural	1.02	1.02
Total General Service	**1.06**	**1.04**
Manufacturing - Small	0.82	0.87
Manufacturing - Large	0.81	0.86
Power	1.04	1.02
Oilfields	1.16	1.12
Streetlights	1.32	1.28
Reseller	0.97	1.02
System Total	**1.00**	**1.00**

In its Application, SaskPower requested the rates to be changed effective January 1, 2001, but that date cannot now be met. On January 22, 2001, SaskPower indicated that the request was to make the rates retroactive to January 1, 2001. In response to a request, SaskPower submitted the revenue impact and required rate that would result from a delay in the effective date of

implementing the rates to April 1, 2001. The rate rider was designed so that 12 months of revenue for the 2001 calendar year would be recovered over 9 months, (April 1 to December 1, 2001) at which time the rate rider would be eliminated and the base rates would become effective on January 1, 2002. The assumption, for this scenario, is that all other factors would remain equal.

3.1 SaskPower's 2000 Audited Financial Results and Updated 2001 Forecast

On February 22, 2001, SaskPower provided updated 2000 and 2001 information. ECI received the material after the draft report had been forwarded to the Panel. The material indicated that the major increase in expense of approximately $18 Million was for fuel costs. The net income decreased by approximately $9 Million, as expenses were offset by greater than anticipated overall revenues in 2000. The primary reasons for the increase in 2001 forecast expenses of $89 Million, over the original $993 Million were an increase in Fuel and Purchased Power of $83 Million, OMA expenses of $3 Million, and Finance charges of $5 Million, offset by a decrease in Royalties, Water Rights and Taxes of $4 Million. SaskPower submitted that the return on equity, originally estimated at 8.7%, was revised to 6.67% in light of the updated results and forecasts. SaskPower indicated that they would not be seeking a higher rate increase because the current process does not allow for adjustments midway through an application. However, had the current information been known, SaskPower indicated "... additional revenues would have been sought."

There has been insufficient time to analyze these revisions for inclusion in the final report. Additionally, SaskPower is not seeking a larger rate increase because of the revisions. The documentation was reviewed at a cursory level, and was determined by the Panel to be outside the scope of the original application. Therefore, our comments and observations do not address this information, other than to indicate that, based on current practice the increase in costs would be recovered by increasing rates for Saskatchewan ratepayers, while the increase in export income would flow into and increase the net operating income.

4.0 Submissions at Public Meetings

ECI was not requested and did not attend any of the Public Meetings convened by the Panel. We did receive copies of all written submissions presented by the City of Sakatoon. The following is a summary of the positions advanced by the Presenters, and responses, if any, by SaskPower.

4.1 City of Saskatoon ("Saskatoon")

Saskatoon submitted that, because it uses the same customer classes and charges its customer classes the same rates as does SaskPower, the proposed 8% increase would generate only 3.76% in incremental revenue for Saskatoon, resulting in an annual revenue shortfall of $435,000. This shortfall would have to be made up by a mill rate increase to its citizens. Additionally, Saskatoon contended that they had no way of verifying the 0.97 revenue to cost (R/C) ratio for the Reseller Class, but submitted that this ratio was already in the range of 0.95 to 1.05 determined to be acceptable to SaskPower. Therefore, Saskatoon objected to the proposed R/C ratio of 1.02 requested by SaskPower.

Saskatoon also argued that any amount over the 3.25% increase was attributed to increased costs, in the case of Saskatoon, 4.75%, and was unfair in that it resulted in the customers of the Saskatoon utility subsidizing SaskPower's other customer classes. Saskatoon also suggested that the increase in the Manufacturer's rate be phased in to use the competitive advantage to attract high use electricity firms to the Province.

Saskatoon also suggested that the potential risk of having Resellers purchase power from alternate suppliers was minor, because of the general power shortage and that neighboring electric utilities would charge the highest opportunity cost for such electric sales. Additionally limited transmission capacity and technological differences rendered power purchases from Alberta difficult.

A further point raised by Saskatoon was that SaskPower had previously attempted to purchase Saskatoon's utility, and that if Saskatoon's return on its utility investment were to decrease

(which, according to Saskatoon, would happen, if SaskPower's proposal were accepted), the value of its assets would decrease and this would make it easier to purchase Saskatoon's utility.

Saskatoon rejected SaskPower's contention that Saskatoon had neglected to include increased franchise fees in their calculation of the economic impacts. Saskatoon submitted that the 10% Municipal Surcharge and 5% Franchise Fee, applicable to the entire Province, is estimated to be $447,000 for Saskatoon's utility. This amount is included in Saskatoon's rate of return calculation. Similarly, because SaskPower also sells electricity to Saskatoon citizens outside Saskatoon Utility's boundaries, the City receives additional surcharges and fees estimated to be $185,500 annually. This amount is not included in Saskatoon's rate of return, but rather flows into general revenues, as do fees from SaskEnergy for gas sales. This amount is thus also included in Saskatoon's budget tabled with the Panel.

In summary, Saskatoon agreed that costs are increasing and that consequently a rate increase is warranted. However, Saskatoon contended that if the Reseller's weighted cost increase is 3.76%, then the Resellers rate should increase by only 3.76%. A greater increase would result in Saskatoon citizens subsidizing other SaskPower rates. Saskatoon also requested that cost/rate relationship suggested by Saskatoon be maintained for the foreseeable future.

4.2 City of Swift Current ("Swift Current")

Swift Current's presentation paralleled that of Saskatoon. Swift Current also requested the Panel to allow a rate increase reflective only of increased costs, which would be the 3.76%. Swift Current's electric utility 2000 revenue was $11 Million, expenses were $7.6 Million and an approximate return on investment of $3.4 Million. The cost of power from SaskPower was $6 Million. Swift Current provided calculations that indicated if the 2000 revenue were to be increased by 3.7%, the increase in revenue for 2001 would be $407,000, while the cost of power would increase by 8%, or $480,000, leaving the utility with a $73,000 shortfall. Swift Current stated that this shortfall would have to be covered by an increase in the mill rate. Swift Current also fully supported the presentation and argument submitted by Saskatoon.

4.3 City of Regina ("Regina")

Regina's submission addressed the issue of cross-subsidization with respect to the urban Streetlight Class and the resultant impact on Regina property taxpayers. Regina did not conduct any analyses of SaskPower's rate calculations, load and demand allocation factors, or class cross-subsidization calculations. However, reviews of other materials has led Regina to consider that streetlights are less costly to serve because of the concentration of supply in major urban centers and impacts on peak demand. Regina expressed a view that a much more detailed analysis would be required to assess the merits of that view, and thus presented their argument to the Panel on the basis of principles.

Regina stated that the existing R/C ratio for the streetlight class, 1.32 means that the Streetlight Class contributed $1,730,000 more than 2000 allocated Streetlight costs, and if the 2001 R/C is reduced to 1.28 pursuant to SaskPower's request, the 2001 cross-subsidy would be $1,560,000.

Regina's share of the 2000 cross-subsidies was approximately $737,000 which is equivalent to a 0.8% mill rate, which represents $8 per year to the average homeowner. Regina's 2001 subsidy would fall to $665,000 under SaskPower's proposal. These costs are not factored into the urban residential rates, but in Regina's opinion, reflect an unwarranted direct subsidy.

Regina acknowledged that the Municipal surcharge and grants in lieu of taxes would result in revenue of approximately $750,000 in 2001. However, Regina contends that this is in consideration of Regina having given up its rights to produce and distribute electricity to SaskPower through 1965 negotiations. Saskatoon, which generates some $14 Million in profit annually on its electric utility, also receives surcharge payments and grants in lieu of taxes.

Regina supports the general principles and philosophy of SaskPower's rate structure to remain commercially viable for their operating and capital plans. However, Regina does not agree with the practice of charging excessive rates for urban streetlights by cross-subsidization.

Regina requested the Panel to:

- Support the principles and objectives of SaskPower to rebalance their rate structure to achieve a ratio of 1.00 within a range of 0.95 to 1.05 for all customer classes to remove current cross-subsidization inequities.
- Establish the ratio for urban streetlights as 1.00 in 2001.
- Alternatively, to approve and instruct SaskPower to implement the four-year rate restructuring plan for urban street lights to achieve the ratio of 1.00 by 2004.

4.4 Saskatoon and District Chamber of Commerce

The Chamber expressed concern about the proposed 8% increase to the Reseller Rate, suggesting that it was much larger then the change in the supplier's cost structure. The Chamber indicated that Saskatoon, in conjunction with Hitachi and the Potash Corporation of Saskatchewan had developed a feasible initiative to construct a Co-generation plant at the Cory Potash Corp Mine. SaskPower, which had, according to the Chamber, originally agreed to a transmission line from the mine to the Saskatoon grid, later developed the Co-gen project themselves. The Chamber suggested that this action avoided potential competition in the market and influenced the current request for rate increases. The Chamber also contended that self-generation, as an alternative to SaskPower, is now less viable, because of the recent dramatic increase in natural gas. The Chamber also asked the Panel to phase in the impacts of rate rebalancing over a reasonable period of time.

4.5 Saskatchewan Greenhouse Growers Association ("SGGA")

The SGGA submitted that any increase in rates would have to be passed onto customers, making it more difficult for Saskatchewan Growers to compete in the marketplace. SSGA indicated that they would like to work with SaskPower, as a Crown Corporation, to keep the industry viable and to increase production in order to reduce product imported from out of province. This would assist the rural economy in terms of supplying a venue for farm diversification.

4.6 COGEMA Resources Inc. and Camenco Corporation ("CO/Cam")

CO/Cam raised several issues in their submission. They are in the Power Rate Customer Class which holds 86 customers, each of which have annual power costs in excess of $1 Million. At current rates, the Power Rate Class contributes $257 Million, about 27% of all SaskPower's revenue, but represents less than 1% of SaskPower's customers. CO/Cam contend that SaskPower's request represents a 10% increase for this class, which is excessive in their view. This is exacerbated because 67 of the 86 customers within the class have long term contracts, leaving the remaining 19 customers (including CO/Cam) to shoulder the added burden.

CO/Cam opposed the 10% increase as they considered it to include a capital recovery component and they had paid the inflated "diesel" rate to fund the construction of the transmission line. The excess revenue generated by the diesel rate was retained by SaskPower to pay for this facility. They are of the view that it is unfair for 19 customers to carry the burden of the 10% increase, already having paid for the capital cost.

CO/Cam suggested that it would be appropriate to create two Power Class sub-categories, one North and one South, with different rates to recognize source and cost of generation, as well as system reliability differences. To ensure a reliable source of power, CO/Cam have had to install and pay for back-up diesel generation, which is not required for southern Power Class Customers.

CO/Cam requested that if the Panel deemed a rate increase to be necessary, it be phased in over time. Co/Cam also objected to the proposed change in the rate structure, which would result in a substantial decrease in demand charges and an increase in the consumption charge. With a larger demand charge, there is an incentive to continue the existing desirable load profile and to further enhance it. Capacitors have been installed to achieve a flat line profile, but with the proposed change, the pay back period based on money saved on consumption, is four times greater. CO/Cam contended that it was unfair to change the existing rate structure, which was the basis of the decision resulting in these expenditures. CO/Cam conceded that in the short

term, the costs under either structure were similar, but in the long term, there would be no incentive to work toward a flat line profile. It is good public policy to utilize power in the most efficient manner. CO/Cam contends that SaskPower intends to achieve this policy by dictating it in its long-term contracts, which would require mines to incur additional capital costs with extended payback periods because of the new rate structure.

4.7 Saskatchewan Union of Municipalities ("SUMA")

SUMA made a submission respecting the cost of streetlights and resultant cross-subsidization provided to other classes. SUMA supports SaskPower's proposal to "reduce by 7% a year the current revenue per dollar of service charged for streetlights from 1.32 to 1.03 by the year 2004." While SUMA would prefer that this be accomplished in a shorter period of time, it asked the Panel to accept SaskPower's proposal, if the shorter time period were not feasible.

4.8 Weyerhaeuser Canada ("Weyerhaeuser")

Weyerhaeuser provided the Panel a description of their operations in Saskatchewan, indicating that total direct employment exceeds 1500 people. Weyerhaeuser submitted that lumber prices had dropped by more than 45%, and many mills are operating at or close to break-even cost levels. While attempting to continue to operate all of its facilities, Weyerhaeuser has begun an indefinite market-related shutdown of its OSB 1000 mill in Hudson Bay, which employs about 140 people. Weyerhaeuser indicated that SaskPower's request would result in a 31% rate increase over three years, commencing with a 10% increase if this application were approved, for three facilities in Hudson Bay, Big River and Carrot River.

Weyerhaeuser stated that they fully supported the concept of eliminating subsidies for energy costs. However, in light of current market conditions a dramatic increase in rates would be detrimental to their Saskatchewan operations, and thus Weyerhaeuser requested the Panel to consider a more gradual phasing in of the proposed rate increases. Weyerhaeuser would be willing to meet with SaskPower to discuss alternative rate structures.

4.9 SaskPower's Response to Presentations

With respect to Saskatoon's submission, SaskPower submitted that it is not absolutely required that Saskatoon's electricity rates for its customers be the same as the rates for customers served by SaskPower in Saskatoon.

SaskPower also suggested that Saskatoon's determination of a $435,000 shortfall resulting from the proposed rate increase was incorrect, because Saskatoon's load is now served entirely by the cheaper 138 kV Service, rather than partly through 72 kV lines. SaskPower stated that this factor would reduce the identified shortfall by $260,000. Additionally, SaskPower contended that the additional municipal surcharges and grants in lieu of taxes that Saskatoon would receive from outside its franchise, which are estimated at $325,000, would offset the identified shortfall by more than the $150,000 in incremental revenue. Therefore, Saskatoon would not require a mill rate increase.

SaskPower emphasized that currently SaskPower's system customers are subsidizing Saskatoon, and that approval of this application would reverse this so that Saskatoon is subsidizing SaskPower's customers. SaskPower has calculated this subsidy to be 1.5% at a R/C ratio of 1.02, not the 4.75% as stated by Saskatoon. SaskPower also contended that the target R/C ratios are dynamic and it is neither reasonable nor practical to have a 1.00 R/C ratio for each class, at all times. SaskPower regularly reassesses the ratios and will propose changes as appropriate to move them into a position that is fair and reasonable for all customers. Additionally, SaskPower argued that Resellers and Power Rate Customers are the most risky because of factors such as size, potential for self-generation, use of alternate energy suppliers, bankruptcy and relocation. Therefore, SaskPower has targeted these customers at a R/C ratio greater than 1.00.

In summary, SaskPower submitted that Saskatoon's proposal was neither fair nor reasonable. If Saskatoon's recommended increase of 4.75% were adopted, SaskPower estimates that Saskatoon's additional net income would be $1,950,000 comprised of the impacts of the new 138 kV Service rates, grants in lieu of taxes and municipal surcharge revenues. Under this scenario, SaskPower would lose approximately $1,925,000 in revenue from Saskatoon, which would have

to be recovered from other customers, or otherwise would reduce net income. SaskPower contended that their recommended rate increase would result in a net gain to Saskatoon of approximately $150,000.

SaskPower indicated that, while they were not provided with a copy of Swift Current's submission, the mitigating arguments for Saskatoon would be equally applicable to Swift Current.

SaskPower made no formal response to Regina's submission with respect to the Streetlight Class cross-subsidization issue.

4.10 Saskatoon Response to SaskPower

Saskatoon reiterated that it was impractical, unrealistic and unfair not to charge the same rates to its citizens based on which utility provided the service. It contended that the savings realized by converting to 138 kV are reflected in Saskatoon's extra cost of $435,000, and that the savings were only realized because Saskatoon had spend funds to upgrade transmission lines and sub-stations. Additionally, Saskatoon did not obtain a credit for freeing up capacity in the SaskPower distribution system for 72 kV transmission.

Saskatoon repeated its earlier position respecting grants-in-lieu of taxes. A further point raised concerned the issue of cross subsidization. Contrary to SaskPower's statement that all SaskPower customers are subsidizing Saskatoon, Saskatoon argued the reality is that anyone with a R/C ratio greater than 1.0 are cross subsidizing those customers with a R/C of less than 1.0. Thus, the cost of street lighting is subsidizing all other classes and yet the residential ratio is less than 1.0.

Under existing legislation, Saskatoon must buy its power from SaskPower. Saskatoon had offered to enter into long-term 10 year contracts, but contended that SaskPower was not interested in such contracts. Saskatoon suggested that the proposed 8% increase would force cities to look elsewhere for alternate supply, which are not available at a reasonable price.

Saskatoon refuted SaskPower's assertion that the proposal would result in a positive benefit of $150,000 to Saskatoon. Rather, SaskPower has proposed it recover over $30 Million in new revenue, while the City of Saskatoon would lose $450,000 in revenue.

Saskatoon pointed out that the change in the rate structure itself would result in varying percentage increases within a class. As an example, the manufactures would see a range of increase below 10% to above 21%, with an average of 10%. Additionally, the decrease in the energy component of the rate would encourage more use, rather than conservation.

5.0 Data Review and Analyses

In its proposal, ECI detailed areas that would be reviewed during the assignment, as follows.

1. Anticipated Fuel Costs:
    - Cost input assumptions for coal and natural gas
    - Volatility of natural gas prices and mitigative measures
    - Assessment of pricing strategy and resultant price estimates

2. Anticipated Hydro Facilities Availability:
    - Current generating capacity
    - Spinning reserves and export power capacity

3. Load Forecasts:
    - Base load determination
    - Potential impacts related to new competitive environment
    - Co-generation impacts
    - Emerging technologies affecting demand
    - Impact on loads flowing from rate rebalancing proposals

4. Future Generation Requirements:
    - Reasonableness and accuracy of load forecasts
    - Impacts of demand side management and conservation
    - Future export sales opportunities

5. Determination of Peak Load Requirements
    - Analysis by Customer Class

6. Review of SaskPower's Overall Supply and Generation Operations
    - Optimization of System Facilities to meet Peak demands
    - System Reliability
    - Generation by fuel types, including import, export power

- Wheeling impacts

7. Operating Cost Elements:
    - Assumptions to determine OMA costs
    - Reasonableness of OMA Costs
    - Corporate Shared Service Costs
    - Staffing Levels, I/T Expenditures, and Depreciation Expense

8. Verification of SaskPower's Customer Impact Calculations:
    - Revenue to Cost Ratios
    - Rate Rebalancing
    - General Increase

9. Verification of Conformance with Corporate Capital Tax Requirements

Based on a review of all documentation, including responses to Panel and ECI Information Requests, and clarification by SaskPower on a number of issues, ECI presents the following discussions and recommendations.

5.1 Anticipated Fuel Costs

It is apparent that the most significant increase driving this application is for fuel costs necessary to generate electricity. The costs have increased from $229 Million in 1999, to an estimated 2000 cost of $345 Million, which is projected to increase to $359 Million in 2001. This is an increase of almost 58% over a two-year period, averaging 29% per year. The increase in fuel costs from 1996 to 1999 was approximately $83 Million or three-year average increases of slightly less than 28%. While it would appear that the rate of increase in fuel costs has been fairly consistent on a year over year basis since 1996, it must be recognized that a significant portion of the cost increase from 1996 to the present has been because of the coming on stream of the Meridian Co-generation facility in Lloydminister in December of 1999. As discussed in greater detail in subsequent sections of this report, the addition of the Meridian generation

facility has changed the mix of the generation by fuel type by a relatively large factor, accounting for 9.14% of the supply mix in 2000 and estimated at 8.94% for 2001, expressed as a percentage of total GWh generated. The Meridian Co-generation plant accounted for 1.8% of total generating costs in 1998, which increased to 20.8% in 1999, and is forecast to be 24.6% in 2001.

The increase fuel cost from 1998 to 1999 is primarily because of the plant operating for a full year in 1999, while the increased cost for 2001 is primarily due to the recent volatility of the commodity cost of natural gas. Additionally, the relatively low snow pack in the 2000/2001 winter in the watershed basins which feed SaskPower's hydro facilities have led SaskPower to estimate greater use of natural gas generating facilities, resulting in higher overall generating costs. The SaskPower application has included a forward market price curve average of $6.31 per Gigajoule ('GJ"), which results in an estimated natural gas cost increase of approximately $33M since 1999. However, because of the volatility of the market, SaskPower provided a revised weighted average cost estimate for natural gas of $8.40/GJ. This results in approximately $18M additional fuel costs in 2001. For logistical and timing reasons, SaskPower has chosen not to revise the request for rate changes at this time.

We have also reviewed SaskPower's price management strategies with respect to mitigating the effect of the volatility and increase in natural gas forecast commodity costs. The price management plan appears to be reasonable given the current market conditions, and we believe that the hedging plans that have been entered into with financial institutions are prudent under the circumstances. Because of the current market volatility, price capping of natural gas supplies is costly, and the risk related to the impact of potential price increases is often less than the cost of price capping.

SaskPower uses approximately 12,000,000 GJ of natural gas for generation in a year when normal weather is experienced. Normal weather, for SaskPower, is defined as the average weather over the prior 30 years. In 2000, SaskPower estimated that it would consume 14,000,000 GJ of natural gas. Current projections, given January 2001 experience, and anticipated low water flows are for 2001 natural gas consumption of 20,000,000 GJ. SaskPower

has authority from its Board of Directors to use financial instruments to hedge up to 50% of its annual normalized gas volumes for SaskPower and Co-gen facilities. Additionally, all contracts in excess of three years require approval form SaskPower's Risk Management Committee and Board of Directors.

Given the current trend to unprecedented high prices and volatility in the natural gas market, the mix of purchases from Alberta (approximately 25%) and Saskatchewan (approximately 75%) sources, and financial instruments, we are of the opinion that the methodology employed is reasonable. Additionally, SaskPower is taking advantage of daily and annual operational flexibility for natural gas supply by utilizing transportation leases from TransGas and storage to suit annual demands.

In summary, the total 2001 cost for natural gas is almost entirely the result of increased unit prices for natural gas.

Because the circumstances of the natural gas market have changed dramatically within the last 10 to 12 month period, we would recommend that the Panel establish a natural gas cost to embed in 2001 rates equal to the 2001 cost of gas as forecast in the original application. The recent increase in the cost of natural gas is a North American phenomenon subject to the vagaries of the market, and is largely beyond the control of SaskPower. It is a real cost, which SaskPower should recover, and one option that the Panel may consider is that a rate rider be imposed to cover the anticipated increases in gas costs. Our view is that the rate rider could use the estimated gas costs, based on the most recent February forecast for the next 12 month period, and could be recovered over a 24 month period. The variance between the cost of gas recovered by rates and the rate rider, and the actual gas costs experienced by SaskPower could be accumulated and the balance at March 31, 2003 could be disposed of at that time.

The 2001 cost for import power is forecast to decrease by approximately $8,000,000 because of lesser use. Coal costs are forecast to increase by $15M, an increase of approximately 10% since 1999.

Our opinion is that the estimated 2001 costs for fuel are reasonable, and should be allowed by the Panel.

5.2 Anticipated Hydro Facilities Availability

SaskPower's current in Province generating facilities consist of a mix of coal-fired thermal (54%), gas-fired thermal generation (12%), hydro generation (27%), and Meridian Co-gen (7%). On an overall supply basis, the mix for 1999, 2000 and 2001 is as follows (expressed as a percentage of GWh generated, as well as costs of generation).

Generation Mix	1999 GWh-%	1999 $ - %	2000 GWh-%	2001 GWh-%
Coal	63.4%	56.5%	60.8%	62.6%
Hydro	20.1%	3.6%	16.7%	19.0%
Gas	5.5%	18.4%	4.1%	3.6%
Meridian	0.0%	1.8%	9.1%	8.9%
Wind	0.0%	0.0%	0.0%	0.1%
Import	11.1%	19.7%	9.2%	5.9%
Total	100.0%	100.0%	100.0%	100.0%

Generation GWh	1999 GWh		2000 GWh	2001 GWh
Coal	11,423.9		11,582.0	13,139.7
Hydro	3,620.0		3,187.5	3,987.9
Gas	983.8		781.2	745.5
Meridian	0.0		1,741.4	1,877.4
Wind	0.0		0.0	14.7
Import	1,991.1		1,760.5	1,236.9
Total	18,018.8		19,052.5	21,000.0

In 1999, SaskPower's hydro facilities had a rated capacity of 853 net Megawatts and generated net energy of 3,668 GWh. These statistics have remained fairly constant, aside from weather and water flow factors. Currently hydro generating facilities are maximized. SaskPower is currently planning to assess the potential for developing several more generating facilities in the Province, but the assessment will not likely be undertaken for three or four years.

In the 2001 budget, SaskPower estimated that about $165 Million of the total $365 Million capital expenditures is related to increasing system capacity. A further breakdown of the $165 Million indicates approximately $148 Million has been allocated for generation refitting and new generation and the remainder for various generation and transmission system capacity upgrades. In addition to utilizing hydro facilities to optimum capacity, SaskPower has stated that the same holds true for existing coal-fired units and increased load is being served from gas-fired generation import and purchased power. A substantial shift in the mix of generation over the past years has contributed to the need to constantly review and assess capacity and generation requirements. The proposed capital budget dealing with increased capacity appears reasonable in terms of total expenditures, however the question arises with respect to the justification and cost benefit of these particular expenditures for maintaining system reliability and future growth projections. The existing reliance on export sales to enhance the financial position of SaskPower must be balanced with capital cost expenditures that are directly related to anticipated load growth and energy generation use.

5.3 Load Forecasts

SaskPower develops load forecasts on an annual basis to determine annual energy requirements and peak demands. These forecasts are the basis for determining capacity additions, maintenance schedules, power plant operations, fuel operation budgets, and corporate revenue estimates. The 2000 Load Forecast that projects loads until 2010, is the most recent available. SaskPower stated that it is still valid, and a preliminary 2001 Load Forecast will be available by mid March of 2001.

Forecasts are prepared for six major use categories: Key Account, Oilfield, Commercial, Residential, Farm and Reseller. Additionally, energy requirements are estimated for internal use and non-grid use. Estimates of total annual energy requirements also include projections or system losses and unaccounted energy use. Weather does have a significant impact on forecasts, primarily for the Residential, Commercial, Farm and Reseller classes. Therefore, in preparing the forecast, SaskPower assumes average daily weather for the last 30 years, as well as assuming it will retain existing customers and market share for these four major user groups. Forecast

inputs include SaskPower Economic Forecast, historical energy sales, review of existing sales contracts and individual forecasts prepared by customers for the larger consumption customers.

The forecasting methodologies used by SaskPower include statistical regression analyses, extrapolation of existing loads, and various economic forecasts. Forecasts are validated by various means, including correlation of other energy prices and verification of comparisons of oil reserves to estimated production (for Oilfield Customers), comparisons of forecasted energy sales to historical usage, and an analysis of variable economic growth and expected increases in population.

Corporate energy use is estimated by extrapolating existing consumption, and coal mine consumption is based on production for SaskPower's estimated coal requirements. Transmission line losses are determined using an internal computerized model, while transmission losses use a four year historical weighted average percent of distribution sales applied to forecast loads. Unaccounted energy use, (energy used in unmetered corporate and customer consumption) is determined in the same fashion as are distribution losses. Non-grid load forecasts are based on extrapolation of existing uses and is validated by comparison of historical use to forecast consumption.

The following summarizes SaskPower's average annual increases for loads by major use sector, from 2000 to 2010.

Sector	2000 GW.h	2010 GW.h	Change	% Annual Change
Key Accounts	6,155	7,235	1,080	1.8%
Oilfield	1,313	1,847	534	4.1%
Commercial	3,438	3,875	437	1.3%
Residential	2,352	2,544	192	0.8%
Farm	1,338	1,381	43	0.3%
Reseller	1,208	1,328	120	1.0%
Sub- Total	**15,804**	**18,210**	2,406	1.5%
Corporate Use	121	123	2	0.2%
System Losses/UF	1,636	1,897	261	1.6%
Total	**17,561**	**20,230**	2,669	1.5%

SaskPower's annual peak load, which represents the highest yearly demand for electricity, has historically occurred in November, December, January and February. The forecast assumes that the system peak will occur during December, just prior to Christmas, and then again in early January. Factors contributing to peak loads include time of day, industrial load, weather conditions and seasonal variations, such as Christmas lighting and increased shopping hours. Key Account loads during system peak are determined using a four year historical average for each customer, where applicable, to determine its coincidence factor, or else a coincidence factor from a similar customer is assumed. All other customer class peak loads, at the time of the system peak is based on historic use at that time. Peak load and coincidence factor determinations are a prerequisite for system design, system operation and reliability, as well as for allocating all demand related costs to various customer classes. SaskPower's seasonal peak demand is estimated to increase from 2,840 MW to 3,235 MW and is an average annual increase of 1.3% primarily attributable to the Key Account, Commercial and Oilfield sectors.

SaskPower's definition of Demand Side Management ("DSM") is "the effects of market, customer, and utility-driven initiatives to alter energy consumption patterns according to the magnitude and timing of the demand electricity." SaskPower states that there are naturally occurring DSM and utility initiated DSM. Naturally occurring DSM results from customers voluntarily replacing old, inefficient appliances and equipment with new energy efficient ones, or through energy conservation efforts. National DSM programs have been developed, and there

are a number of commercial customers in Saskatchewan who have undertaken projects to reduce energy consumption. Utility initiated DSM programs include load shifting, interruptible contracts and other customer information and incentive energy saving initiatives. SaskPower does not have any new DSM programs in the 2000 Load Forecast.

Because of the uncertainties inherent in load forecast, SaskPower develops a high and a low scenario for energy consumption and peak load demand. The scenarios are developed using a simulation model which considers each of the multitude of variables to be independent from each other and assumes the distribution curve of the probability of occurrence of a given result to be normal. The results are based on an 80% probability that the load will fall within the bounds created by the high and low forecasts.

SaskPower also produces an annual Forecast Accuracy Analysis that determines the degree of variance between actual and forecast numbers for each of the sectors considered in the Load Forecasts. The accuracy of load forecasts is critical, as load forecasts determine future electrical requirements, and assisting capital planning, operations and fuel budgets, and manpower needs. SaskPower uses the Percent Error ("PE") and Root Mean Square Error ("RMSE") methods to determine the variance. PE indicates the accuracy of the forecast for a given year, and is also used to determine the RMSE. The RMSE calculation is the average of the percent error values over the forecast period in absolute terms.

The following table indicates the average RSME for each year of the ten-year total energy requirements and potential peaks for the past 21 forecasts and the last 5 forecasts:

Year	RSME			
	Last 5 Forecasts		Last 21 Forecasts	
	Energy	Peaks	Energy	Peaks
1	1.4	3.4	2.2	4.4
2	2.4	4.7	4.2	5.7
3	5.1	4.8	5.3	6.6
4	6.2	4.2	4.6	7.8
5	7.3	5.0	5.5	8.9
6	6.9	5.8	6.1	10.4
7	5.6	4.8	5.8	11.2
8	3.2	5.9	4.6	11.6
9	1.5	8.8	4.1	13.1
10	2.2	10.4	5.6	14.0

It is our view that SaskPower places the proper degree of emphasis on annual load and demand forecasts, as being of primary importance as a planning tool for it operations. The methods employed are sound, and the analyses of the inputs is extensive. SaskPower utilizes proven and accepted statistical analysis techniques and validates all load forecasts by consistent and reasonable means. Because of the many variables such as weather, economic development, economic cycles, population growth, consumer confidence, deregulation impacts, environmental considerations, inflation, exchange rates, fuel costs, demands from outside Saskatchewan, it is a certainty that load forecasts will be incorrect. The question is the accuracy, and the impact of a "Worst Case/Best Case" scenario. SaskPower addresses this matter, in our view, satisfactorily, by its high and low forecast analysis, and the annual Forecast Accuracy Analysis. As can be seen by the results of the RSME calculations, the degree of accuracy of forecasts has generally shown a consistent improvement, across virtually all key use sectors and now appears to be within acceptable limits.

We would suggest that the Panel ask SaskPower to provide greater detail in a subsequent rate filing that will detail DSM programs - both naturally occurring and utility generated, to include current efforts and future plans.

5.4 Operating, Maintenance and Administrative ("OMA") Costs

SaskPower budgets for and tracks its OMA in ten categories. The categories, showing projected 2000 figures and 2001 budgets and resultant percentage increases are:

OMA	1999 Actual	2000 Forecast	2001 Estimate	Change over 1999	Change over 2000	2 Year Change
President	$ 2,693	$ 2,041	$ 873	-$ 652	-$ 1,168	-$ 1,820
Power Production	$ 111,974	$ 112,916	$ 111,301	$ 942	-$ 1,615	-$ 673
Transmission & Distribution	$ 71,327	$ 66,296	$ 68,873	-$ 5,031	$ 2,577	-$ 2,454
Customer Services	$ 26,284	$ 27,939	$ 30,991	$ 1,655	$ 3,052	$ 4,707
Corp. Information andTechnology	$ 37,521	$ 24,282	$ 31,000	-$ 13,239	$ 6,718	-$ 6,521
Legal	$ 1,188	$ 1,688	$ 1,855	$ 500	$ 167	$ 667
Corp. Communications	$ 6,593	$ 8,631	$ 7,084	$ 2,038	-$ 1,547	$ 491
Corp. Planning & Reg. Affairs	$ 1,687	$ 2,602	$ 3,846	$ 915	$ 1,244	$ 2,159
Corp. & Financial Servicess	$ 14,232	$ 15,923	$ 12,773	$ 1,691	-$ 3,150	-$ 1,459
Human Resourses	$ 6,249	$ 6,129	$ 6,749	-$ 120	$ 620	$ 500
Board of Directors Admin.	$ 335	$ 286	$ 327	-$ 49	$ 41	-$ 8
Wage Increases	$ -	$ -	$ 2,846	$ -	-$ 2,846	$ 2,846
Total	$ 280,083	$ 268,733	$ 278,518	-$ 11,350	$ 4,093	-$ 1,565

OMA	2000%	2001%	2 Year %
President	-24.21%	-57.23%	-67.58%
Power Production	0.84%	-1.43%	-0.60%
Transmission & Distribution	-7.05%	3.89%	-3.44%
Customer Services	6.30%	10.92%	17.91%
Corp. Information andTechnology	-35.28%	27.67%	-17.38%
Legal	42.09%	9.89%	56.14%
Corp. Communications	30.91%	-17.92%	7.45%
Corp. Planning & Reg. Affairs	54.24%	47.81%	127.98%
Corp. & Financial Servicess	11.88%	-19.78%	-10.25%
Human Resourses	-1.92%	10.12%	8.00%
Board of Directors Admin.	-14.63%	14.34%	-2.39%
Total	-4.05%	3.64%	-0.56%

The costs associated with the President's Office are estimated to decrease by almost 68% over the two-year period from 1999. The primary reason for this is the re-allocation of Vice-President's salaries from the President category to each of the Business units in 2001. Therefore, the $1,168,000 forms a portion of the costs in all other Business Units.

Total salaries and wages were $130,879,000 with associated benefits of $24,267,000, a total of $155,146,000. This expense accounted for 55.4% of 1999 OMA costs. The current projection is for 2000 salaries and wages to be $139,616,000 and benefits of $25,803,000. The total is $165,419,000, which is an increase of 6.6%. According to the Business Plan, the total number of full time equivalent employees ("FTE") increased by 92, from 2000 levels of 2,931 to 3,023, or 3.1%. The collective bargaining agreements are expected to increase salaries and wages by $2,846,000 in 2001. The distribution of the 92 FTE increase is as shown below:

FTE Positions Distribution	2000	2001	Change	% Change
President	3	3	-	0.0%
Power Production	1,087	1,088	1	0.1%
Transmission & Distribution	1,089	1,149	60	5.5%
Customer Services	397	410	13	3.3%
Corp. Information & Technology	108	120	12	11.1%
Legal/Land	23	23	-	0.0%
Corp. Communications	31	31	-	0.0%
Corp. Planning & Reg. Affairs	6	12	6	100.0%
Environment	16	17	1	6.3%
Corp. & Financial Services	119	119	-	0.0%
Human Resourses	52	51	-1	-1.9%
Total	**2,931**	**3,023**	**92**	**3.1%**

The increase in Corporate Planning and Regulatory Affairs reflects the growth for this Business Unit, initiated in 1999. SaskPower indicates that the expenditure for 2001 reflects costs of a fully operational unit, comprising 12 FTE, an increase of 6 from 2000. Presumably, increases in the near future will reflect factors such as inflation, but no additional employee growth. The increase in this unit is budgeted at $1,244,000.

The largest increase in number of FTE is 60 FTE in the Transmission and Distribution business unit, and represents a 5.5% increase, over the existing complement of 1,089. SaskPower states that 24 positions are required for Apprentice Lineman, 7 for the Open Access Transmission Tariff ("OATT") program, 4 for GIS/Drafting, 4 In-scope IBEW, 3 Succession Management, 2 Regional Engineers, and 11 FTE for Overtime and Contract work for Grid Control Centre renovations.

The Corporate Information and Technology and Customer Services Business units account for 25. SaskPower indicates that the increase is necessary for a number of reasons: 4 for OATT administration, 3 Sales Account Managers, 2 for Safety and Training, 4 for the GIS areas and 12 in other areas such as Meter Reading, Energy Management, and in other Information Technology.

Our view is that the number of additional positions requested, while not unreasonable are on the high side of the range in the current circumstances. There appear to be 11 FTE related to the OATT, as well as a significant number of Apprentice Lineman positions, and 25 new FTE for customer service, information technology, and planning and regulatory areas. As well, there appears to be much uncertainty with respect to the OATT impacts on SaskPower. We cannot, given the time constraints, and the degree of investigation which would be required to conduct an evaluation, validation, and comparisons to key industry factors, offer any further suggestions in this matter. We recommend that in the next application the entire area of OMA and particularly the appropriate level of staffing be reviewed in much greater detail.

5.5 Depreciation Expenses

The last depreciation study was conducted in 1996. Depreciation expense is forecasted to increase by $17.4M over the two year period since 1999. Of this amount, approximately $13M is attributable to increases asset bases, the balance of $4.4M is due to various adjustments. The individual depreciation rates for major asset classes appear to be reasonable and comparable to industry norms. We consider the 2001 depreciation expense estimated to be about $153M to be reasonable.

As with any operation having a large asset base and technological changes within the energy industry, it is appropriate to review and update depreciation studies to ensure that existing rates and allowances for negative salvage (site restoration costs) are still valid. We are of the view that such an update should be undertaken every 5 years.

5.6 Finance Charges

Finance charges are forecast to increase from $139 Million to $146.4 Million. After clarification of certain responses to ECI queries in this regard, SaskPower stated that the forecast $146 Million was appropriate. The net increase in this account is approximately $6.4 Million, and consists of a reduction in sinking fund earnings estimated to be $13.3 Million and an estimated reduction in interest earnings $3.3 Million. The reductions were somewhat offset by decreases on interest rates due to lower assumed rates of $4 Million, increases in AFUDC, resulting in a decrease in finance costs of $3.8 Million, and a reduction in amortization because of a lower assumed foreign exchange of $2.5 Million.

SaskPower assumed long term interest rates of 6.5% and a US rate of exchange of $0.68, which, at the time of the application appeared to be reasonable. We conclude that the finance charges estimated by SaskPower are underpinned by realistic assumptions and are within a reasonable range.

5.7 Return on Equity and Return on Capital

SaskPower's return on equity (ROE) target has historically been to achieve 13%, but in view of current economic circumstances, it has reduced its target to 11% in 1999. Return on capital (ROC) targets were originally set at 11% and reduced to 10% in 1999. A review of ROE for other Canadian electric utilities shows a downward trend from an average from 12.9% in 1995 to an average of 9.54% in 1999. SaskPower's target ROE is based on a risk free bond yield rate plus risk premium of 5.75%. Using low and high ranges for the risk free rate, beta and risk premium, the ROE ranges from 9.05% to 11.05%. SaskPower's 13% ROE target has been at or above the industry averages since 1995.

A review of SaskPower's 1999 Annual Report indicates the range of actual ROE's from a low of 8.6% in 1995 to the high of 14.1% in 1996. The corresponding ROC in 1995 was 10.2% and 12.1% in 1996.

5.8 Corporate Capital Tax

Within Saskatchewan, every Corporation that has a permanent establishment is subject to the Capital Corporate Tax ("CCT") based on its total capital. There is an exemption to corporations with capital assets less than $10,000,000. The applicable tax rate is 0.6% of taxable paid up capital. SaskPower's taxable paid up capital ("PUC") consists of three general parts. The PUC is measured by adding up all balance sheet liabilities, with adjustments for short term accounts payable and for differences between amounts for book and income tax purposes. When calculating the taxable PUC, income tax rules apply to SaskPower even though it is a Crown Corporation.

The second component is an investment allowance deduction that consists of capital in the form of shares or debt loaned to other corporations or the government. This includes accounts receivable in excess of 90 days, but not cash on deposit and loans and advances outstanding less than 90 days. As well, there is a general exemption of $10,000,000.

In addition to the 0.6% regular tax rate, a resource corporation is subject to a resource surcharge of 3.6% of the corporation's value. A corporation is only required to pay the greater of the regular tax rate or the resource surcharge rate. The federal government also imposes a capital tax on corporations equal to 0.225%, with a $10,000,000 exemption.

Based on the above legislated requirements, SaskPower's 2001 CCT is estimated to be $12.6 Million in 2001, which represents an increase of $0.6 Million over 2000 and reflects changes in all of the three components to varying degrees. For purposes of this review, the amounts appear to be reasonable, given the mandated requirements by the governments.

5.9 Open Access Transmission Tariff ("OATT")

SaskPower stated that the OATT is scheduled for implementation on July 1, 2001. This will introduce competition into Saskatchewan's wholesale market and provide access to SaskPower's transmission system to independent power producers. The intent is to maintain access to supply

in neighboring jurisdictions, and also introduces competition into the Saskatchewan market as Resellers Saskatoon and Swift Current will be allowed to procure their supply from sources other than SaskPower.

SaskPower has not yet developed its Tariff, but indicated it would be modeled after the FERC Rule 888 pro-forma tariff and could resemble tariffs currently developed by BC Hydro or Manitoba Hydro. SaskPower's original business case identified related total costs of $1,135,000 and one time implementation cost of $940,000, amortized over five years.

SaskPower also indicated that the probability of Reseller's purchasing power from alternate suppliers would likely depend on the Reseller's views of risks, opportunities, and their own objectives. SaskPower further indicated that it was their intention to be the supplier of choice and have been discussing this issue with both Cities.

SaskPower indicated that in assessing the appropriate rate of return for the Reseller class, SaskPower was of the view that these customers represented a greater risk because of the competitive market potential. We are of the view that at least in the short term the likelihood of either City choosing an alternate supplier is slight, because of the current demand for electricity on a continental basis, and the available export power will be sold to the highest bidder. SaskPower has stated that it is cognizant of the potential adverse effects on its operations and financial integrity if either of these Resellers were to opt for alternate suppliers, and would recommend that this potential impact be considered in the contract negotiations.

5.10 Cost Allocation

While the cost allocation study is quite detailed and can be complex, in general terms, once it has determined its Rate Base and annual expenses, SaskPower assigns these costs into either of Generation, Transmission, Distribution and Customer functions. Each of the four functions may contain more than one sub-category. In total, SaskPower has 7 sub-categories for Generation, 4 for Transmission, 11 for Distribution and 6 for Customer. Where costs are clearly identifiable as being attributable to one sub-category function, they are assigned fully to that sub-category.

Where costs are not thus identifiable, they are allocated to various sub-functions based on a variety of allocation factors.

Each functionalized sub-category cost is then either directly assigned or allocated to one of three classifications - Demand, Energy or Customer. In the SaskPower model, the cost of service result is such that annual expenses, plus the return on rate base are functionally classified costs into:

•	Generation	5 Sub-Categories	- Demand
		2 Sub-Categories	- Demand/Energy
•	Transmission	4 Sub-Categories	- Demand
•	Distribution	2 Sub-Categories	- Demand
		3 Sub-Categories	- Demand/Customer
•	Customer Service	6 Sub-Categories	- Customer

Each of the functionally classified costs are then allocated to one of approximately 27 customer sub-classes on the basis of relative class demands placed on the system (Demand), annual use of electricity (Energy) and number of customers (Customer). The rates to be generated by each class are determined based on existing rates, rate rebalancing goals, degree of risk assumed for a particular sub-class, and other factors that may change from year to year. The revenue generated by the designed rate structure is then divided by the costs allocated to that class to arrive at the R/C ratio, and the difference between that ratio and a R/C of 1.00, in terms of dollars is reflected in a sub-class rate of return, either greater or less than the overall system rate of return.

The expenses and sub-class rates of return are then added to arrive at an overall class R/C ratio, for a particular test year period. The sub-class and class R/C ratios will vary from year to year, as the period in question is based on forecasts, and also by design of SaskPower to meet its differing rate and financial objectives from year to year, as circumstances dictate at any given point in time.

According to the Ministerial Order, the existing cost allocation methodology is to be considered as a given. We are of the view that the model has been applied consistently and fairly, and represents a satisfactory level of detail, beyond even what SaskPower's consultant recommended. It is the application of SaskPower's judgment beyond what the pure cost allocation results indicate that will be the cause of controversy. This is not unique to SaskPower, as most jurisdictions rely on factors other than pure cost causation in determining the final rates design and class revenue to cost ratios. The challenge is to minimize the sources of controversy and to eliminate judgement to the extent practical, but to always apply the same principles in these matters.

It is our view that once a revenue requirement has been approved, it is then necessary that the revenue requirement should be recovered by the utility. We also recognize that SaskPower's stated rate rebalancing objective is to ultimately achieve a R/C ratio of 0.95 to 1.00, but not to always have a ratio at unity for all customer classes. In real terms, the actual R/C ratio will not be at unity, because it is based on forecast numbers. However, we are of the view that a rate, which achieves a ratio other than unity, indicates cross-subsidization by design, from a cost causation perspective. We agree that a "perfect" rate rebalancing cannot occur in one year, because rates are historic in nature. However, we are of the view that rates should be designed so that revenues equal revenue requirements for all classes over time. Any deviation should then be justified and quantified. Equally, we are of the view that whatever cross-subsidization exists in rates is a historical matter. Where one class has subsidized another, that subsidy should be eliminated, but as a principle, a class below a R/C ratio of 1.00 should not increase beyond 1.00. Similarly, class with an R/C ratio above unity should not drop below unity.

5.11 Five Year Revenue to Cost Ratios

SaskPower supplied a summary of customer class R/C ratios, which had been in effect for each year commencing in 1995, as follows:

Revenue to Cost Ratio

Customer Class	1995	1996	1997	1998	1999
Urban Residential	0.82	0.92	0.94	0.93	0.96
Rural Residential	0.72	0.73	0.78	0.77	0.86
Total Residential	**0.80**	**0.89**	**0.91**	**0.90**	**0.95**
Farm	0.71	0.76	0.83	0.81	0.92
Small Commercial	1.04	1.00	1.08	1.04	1.02
General Service	1.33	1.23	1.14	1.07	1.09
Streetlights	1.54	1.32	1.34	1.31	1.23
Oilfield	1.51	1.38	1.29	1.23	1.15

5.12 Customer Impacts

SaskPower capped proposed rate increases at 10% for every customer class, on an overall basis. However, depending on annual consumption, demand levels, and existing contract terms and conditions, customers within a given class will experience increases greater than the average for that class. The summary of proposed rate change impacts, as submitted by SaskPower are as shown on the following table.

Customer Sector	Accounts	Range of Rate Increases
Urban Residential – City	127,720	4.96% to 6.02%
Urban Residential –Town, Village, Urban Resort	87,105	4.95% to 6.06%
Rural Residential	36,300	4.99% to 10.60%
Urban General Service – Large (Over 75kVA)	2,872	-16.29% to 3.08%
Rural General Service – Large (Over 75kVA)	4,855	-5.27% to 7.64%
Urban – Customer Transformation (Over 75kVA)	68	-0.24% to 2.65%
Rural – Customer Transformation (Over 75kVA)	16	4.19% to 5.53%
Farm	64,067	5.74% to 8.94%
General Service Urban-Manufacturing	664	0.54% to 17.36%
General Service Rural–Manufacturing	246	4.62% to 17.74%
Urban General Service – Small Commercial	27,002	-2.77% to 9.66%
Rural General Service – Small Commercial	7,439	-0.71% to 18.93%
Urban General Service – Small Public Facility	1,333	1.00% to 11.98%
Rural General Service – Small Public Facility	243	1.98% to 18.56%
General Service – Urban Large Public Facility	487	-10.96% to 1.51%
General Service – Rural Large Public Facility	47	-6.47% to 8.24%
General Service Urban - Customer Transformation	15	-0.31% to 2.00%
Total/ Overall Average	**360,464**	**3.25%**

6.0 RECOMMENDATIONS

The following recommendations result from our review, analysis and evaluation of SaskPower's application and documentation provided through the information request process. ECI considers that the onus of proof in support of an application must rest with the applicant, and that the regulatory tribunals must be satisfied that the onus has been met. ECI makes the following recommendations in respect of this application:

1. That the 2000 load forecasting methodology used by SaskPower is satisfactory, as is the validation and forecasting accuracy methodology.

2. That cost increases requested in the application of December 15, 2000 for fuel and import power, the primary drivers underpinning the application, are reasonable. It is our view that SaskPower has taken reasonable actions to mitigate natural gas costs, given the current unprecedented price levels and volatility of the markets. Coal Royalties and Water Rights are largely beyond the control of SaskPower.

3. That the forecasted Finance Charges, Depreciation Expense and Corporate Capital Tax are appropriate.

4. That SaskPower be requested to review and update a depreciation study. In our opinion, depreciation studies should be updated every 5 years to ensure that current technological trends are recognized and current depreciation rates are still applicable.

5. That the OMA costs are within an acceptable range. The Panel may wish to consider the necessity of adding 92 FTE positions at this time given the increase in staff level which SaskPower indicates was at 2,576 in 1994.

6. That the Panel encourage SaskPower to obtain greater efficiencies in operations and maintenance and to utilize the Balanced Score Card to measure efficiency gains.

7. On an overall basis, the increase in revenue requirement of 3.25% is reasonable.

8. That the Panel consider netting back a greater portion of costs from export power sales rather than allocating and recovering such incremental costs solely from Saskatchewan ratepayers.

9. That the cost allocation methodology is appropriate and has been reasonably applied in a consistent manner across customer classes.

10. That while there have been changes in the rate structure in the relative demand and energy components, the matter of rate structure and design is currently beyond the scope of review. The issues related to rate structure and rate design should be included for future reviews, as requested in several presentations made to the Panel.

11. That SaskPower provide details of Demand Side Management Programs in the next application, including the impacts of a new rate structure on these programs.

12. That, in respect of rate rebalancing, the Panel require SaskPower to work toward designing rates such that the R/C ratios are 1.00 for each customer class, and that any change from such ratios be fully justified.

13. That existing R/C ratios above 1.00 do not decrease to below 1.00, and those below 1.00 do not increase above 1.00, for purposes of revenue generation and the design of a rate structure.

14. That once a revenue requirement has been accepted, any rate rebalancing should be revenue neutral and SaskPower should not be required to forego any portion of the approved revenue.

15. That, as a basic principle, the Panel not accept retroactive rates.

16. That the Panel approve a rate change implementation date of April 1, 2001, and that those rates remain in effect until a subsequent application is filed.

17. That the Panel require future applications be filed at least 60 days in advance of the date requested for rate changes.

7.0 MINIMUM FILING REQUIREMENTS

With respect to future applications, ECI recommends the following as minimum filing requirements:

1. Applications be filed at least 60 days prior to the date requested for rate changes.

2. All data be provided on a comparative basis for the prior five year period.

3. Depreciation studies be updated and filed every 5 years.

4. Changes to Cost Allocation Methodology be filed and reviewed at the next Application.

5. Rate Structure and Rate Design be filed and reviewed at the next Application.

6. SaskPower file a plan designed for rate stability with respect to natural gas prices, which would include consideration of a Purchased Gas Variance Account.

7. A discussion on management as well as unionized employees, including wages and benefits and variance explanations be filed with every application for the prior five year period.

8. Current Load Forecasts, variances, and financial implications of the high and low scenarios be filed with each application.

9. That only information truly proprietary and commercially sensitive be treated as being confidential, and all other data be a matter of public record.

10. That details of all costs and revenues including the method of cost and/or revenue sharing and financing of capital programs be provided for all subsidiaries of SaskPower, so as to eliminate the potential of cross-subsidization of subsidiaries by domestic ratepayers.

11. Discussion on working capital allowances, and determination of methodology such as a lead-lag study, be conducted and filed.

12. That an organization chart be filed with each application.

13. Provide details of estimates underpinning water flows, power imports and export sales and the method of determining royalties and water rights.

14. SaskPower be required to respond to all formal presentations received by the Panel during the course of a rate review.